

SELA PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Sela Public Charter School
6015-17 Chillum Place, NE
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Sela Public Charter School, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

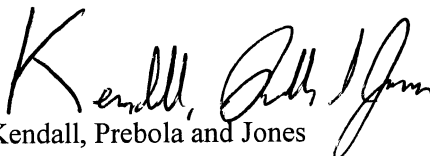
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sela Public Charter School, as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the Sela Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sela Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 29, 2017

SELA PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 628,199	\$ 714,738
Accounts Receivable	150,095	89,452
Grants Receivable	123,426	23,262
Promises Receivable	60,000	-
Prepaid Expenses	<u>31,446</u>	<u>55,198</u>
Total Current Assets	<u>\$ 993,166</u>	<u>\$ 882,650</u>
<u>Fixed Assets:</u>		
Leasehold Improvements	\$ 170,567	\$ 97,347
Furniture, Fixtures and Equipment	59,098	45,196
Computers	143,241	108,259
Accumulated Depreciation and Amortization	<u>(180,786)</u>	<u>(117,405)</u>
Total Fixed Assets	<u>\$ 192,120</u>	<u>\$ 133,397</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 62,765</u>	<u>\$ 68,093</u>
Total Other Assets	<u>\$ 62,765</u>	<u>\$ 68,093</u>
TOTAL ASSETS	<u>\$ 1,248,051</u>	<u>\$ 1,084,140</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 99,071	\$ 100,401
Accrued Vacation and Payroll Liabilities	19,206	21,072
Deferred Revenue	60,433	59,325
Sublease Deposit Payable	-	57,500
Current Portion of Deferred Rent	<u>-</u>	<u>92,219</u>
Total Current Liabilities	<u>\$ 178,710</u>	<u>\$ 330,517</u>
<u>Long Term Liabilities:</u>		
Deferred Rent	\$ 383,811	\$ 208,864
Less: Current Portion of Deferred Rent	<u>-</u>	<u>(92,219)</u>
Total Long Term Liabilities	<u>\$ 383,811</u>	<u>\$ 116,645</u>
Total Liabilities	<u>\$ 562,521</u>	<u>\$ 447,162</u>
<u>Net Assets/(Deficit):</u>		
Unrestricted	\$ 605,530	\$ 460,519
Temporarily Restricted	<u>80,000</u>	<u>176,459</u>
Total Net Assets/(Deficit)	<u>\$ 685,530</u>	<u>\$ 636,978</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,248,051</u>	<u>\$ 1,084,140</u>

(See Accompanying Notes and Auditor's Report)

SELA PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017			June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 2,434,460	\$ -	\$ 2,434,460	\$ 1,813,539	\$ -	\$ 1,813,539
Tuition - Facilities Allowance	552,948	-	552,948	415,492	-	415,492
Federal Entitlements and Grants	328,499	-	328,499	124,327	-	124,327
Private Grants and Contributions	93,729	90,000	183,729	256,539	215,000	471,539
State and Local Government Grants	22,367	-	22,367	20,618	-	20,618
Student Fees	153,830	-	153,830	90,446	-	90,446
Donated Services and Materials	4,000	-	4,000	1,200	-	1,200
Other Revenue	31	-	31	527	-	527
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	186,459	(186,459)	-	115,976	(115,976)	-
Total Revenues and Other Support	<u>\$ 3,776,323</u>	<u>\$ (96,459)</u>	<u>\$ 3,679,864</u>	<u>\$ 2,838,664</u>	<u>\$ 99,024</u>	<u>\$ 2,937,688</u>
<u>Expenses:</u>						
Educational Services	\$ 3,140,194	\$ -	\$ 3,140,194	\$ 2,253,602	\$ -	\$ 2,253,602
General and Administrative	376,568	-	376,568	244,363	-	244,363
Fundraising	114,550	-	114,550	63,454	-	63,454
Total Expenses	<u>\$ 3,631,312</u>	<u>\$ -</u>	<u>\$ 3,631,312</u>	<u>\$ 2,561,419</u>	<u>\$ -</u>	<u>\$ 2,561,419</u>
Changes in Net Assets (Deficit)	\$ 145,011	\$ (96,459)	\$ 48,552	\$ 277,245	\$ 99,024	\$ 376,269
Net Assets/(Deficit) at Beginning of Year	460,519	176,459	636,978	183,274	77,435	260,709
Net Assets/(Deficit) at End of Year	<u>\$ 605,530</u>	<u>\$ 80,000</u>	<u>\$ 685,530</u>	<u>\$ 460,519</u>	<u>\$ 176,459</u>	<u>\$ 636,978</u>

(See Accompanying Notes and Auditor's Report)

SELA PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 48,552	\$ 376,269
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	63,747	60,125
Accounts Receivable - (Increase)/Decrease	(60,643)	(9,486)
Grants Receivable - (Increase)/Decrease	(100,164)	(2,794)
Promises Receivable - (Increase)/Decrease	(60,000)	-
Prepaid Expenses - (Increase)/Decrease	23,752	12,868
Deposits - (Increase)/Decrease	5,328	(5,328)
Accounts Payable and Accrued Expenses - Increase/(Decrease)	(1,330)	57,358
Accrued Vacation and Payroll Liabilities - Increase/(Decrease)	(1,866)	5,710
Deferred Revenue - Increase/(Decrease)	1,108	-
Deferred Rent - Increase/(Decrease)	174,947	(66,847)
Sublease Deposit - Increase/(Decrease)	<u>(57,500)</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u>\$ 35,931</u>	<u>\$ 427,875</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (122,470)</u>	<u>\$ (95,676)</u>
Net Cash Flows from Investing Activities	<u>\$ (122,470)</u>	<u>\$ (95,676)</u>
Net Change in Cash and Cash Equivalents	\$ (86,539)	\$ 332,199
Cash and Cash Equivalents, Beginning of Year	<u>714,738</u>	<u>382,539</u>
Cash and Cash Equivalents, End of Year	<u>\$ 628,199</u>	<u>\$ 714,738</u>

Supplemental Disclosures:

- a) There was no cash paid for interest for the years ended June 30, 2017 and 2016.
- b) No income taxes were paid during the years ended June 30, 2017 and 2016.

Non-Cash Disclosures:

- a) The purchase of fixed assets as presented in Investing Activities during the year ended June 30, 2017, includes the value of donated fixed assets in the amount of \$4,000.

(See Accompanying Notes and Auditor's Report)

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

Sela Public Charter School (Sela), a District of Columbia Not-for-Profit Corporation, was incorporated on June 27, 2011, exclusively for educational purposes. Sela operates as part of the District of Columbia Public School System. The mission of Sela is to offer children of all ethnic and socioeconomic backgrounds in the District of Columbia, from Pre-K to 5th grade, the opportunities to achieve academic excellence in a safe, nurturing environment that focuses on Hebrew language immersion, promotes the value of diversity and provides the skills for taking action in the world. Sela's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government.

Programs

1. CURRICULUM DESIGN AND INSTRUCTIONAL APPROACH

Hebrew Language Immersion

Sela PCS is founded on the premise that fluency in more than one language develops a greater ability to communicate with and to understand other cultures.

Research indicates that in order to gain fluency in a language, students need to spend significant time in an environment saturated in the language they are learning. At Sela PCS, students receive instruction in both English and Hebrew. By immersing students in Hebrew and English, we provide the greatest opportunity for Sela PCS students to graduate bilingual and bi-literate.

As a dual-language school committed to immersion, Sela PCS helps students achieve language proficiency in two languages - including reading and oral proficiency - and sets high learning standards for both English Language Arts and Hebrew Language, choosing curricula that provide its teachers with the instructional resources to successfully develop these skills and abilities in its students.

Hebrew is a unique target language because it serves as a model of an ancient language that has been revived in modern times; it is an entrée to Semitic languages, and contemporary Israeli culture fosters characteristics and skills that empower children to be active global citizens.

Because mastery of the written and spoken language is critical to success in all subject areas, Sela PCS engages a rigorous and balanced curriculum in both languages. The balanced, dual language curriculum is a unique challenge to Sela, in that skilled instructional staff must be hired for both languages. This, in turn, has an inflationary effect on staff expenses and subsequent costs per student.

The Proficiency Approach

Proficiency is an approach used in teaching a foreign language that aims to assist learners in developing their ability to perform in the learned language in all four skills: Reading, Writing, Listening, and Speaking.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Programs (Continued)

1. CURRICULUM DESIGN AND INSTRUCTIONAL APPROACH (Continued)

Why Proficiency?

It allows a flexible curriculum: The goal of the Proficiency Approach is to promote the learners' functional abilities to a fixed set of criteria. Therefore, it allows each teacher and institution to select the most suitable material or teaching method that will maximize his or her learners' language acquisition process.

It helps articulate learning goals: By describing the nature of each level of performance in each language skill, the guidelines provide us with the tools to create a path for our learners to move from one stage to the next. The criteria used in the guidelines help language educators create and articulate specific performance goals for their learners of all language skills.

It supports language acquisition: The Proficiency Approach is the most efficient framework that allows the acquisition of a learned language in an academic setting in which the contact hours are relatively limited. By adopting the notion of performance as the core principle, the Proficiency Approach focuses on the learners' abilities in the target language by concentrating simply on what the learners know about the language. This approach helps learners internalize the language.

It creates a learner-centered environment: Aiming to bring learners to a high level of performance in the target language demands an understanding of who they are as learners. Language educators must know their learners' characteristics and take them into consideration while creating the curriculum. These characteristics include their motivation, appropriate language learning style and learning strategies, level of anxiety, predisposition toward the language, and current level of language acquisition.

It helps assess learners' performance: Using the guidelines criteria makes it easier to assess learners' language abilities in all four skills for the purpose of making instructional decisions.

Pre-Kindergarten:

In the pre-kindergarten classrooms, Sela PCS uses a majority immersion model, meaning that the majority of the activities taking place in the classroom will take place in Hebrew. Each early-childhood classroom is staffed by one teacher and one instructional assistant to implement this model.

The classrooms are organized as primarily Hebrew environments, with the majority of the content and activities in each classroom focused on helping children acquire the vocabulary and proficiency in Hebrew that will prepare them for kindergarten. Approximately 20% of the day in pre-kindergarten is set aside every day for English literacy, which ensures that the children are ready to enter kindergarten with skills for early literacy in English.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Programs (Continued)

1. CURRICULUM DESIGN AND INSTRUCTIONAL APPROACH (Continued)

Kindergarten through Grade 5:

Students will study both languages in an immersion framework. The language instruction will be taught in that language, meaning that English Language Arts will be taught in English, and the Hebrew Language in Hebrew.

Other content areas, such as math, social studies and science will also be taught in both English and Hebrew when possible.

Pre-K Program:

High Scope Curriculum

High Scope's educational approach emphasizes "active participatory learning." Active learning means students have direct, hands-on experiences with people, objects, events, and ideas. Children's interests and choices are at the heart of High Scope programs. They construct their own knowledge through interactions with the world and the people around them. Children take the first step in the learning process by making choices and following through on their plans and decisions. Teachers, caregivers, and parents offer physical, emotional, and intellectual support. In active learning settings, adults expand children's thinking with diverse materials and nurturing interactions.

Kindergarten, Grade 1, and Grade 2:

English Language Arts Program

We use a balanced literacy model, which includes the *Reading Workshop* model and the *Writing Workshop* model. Reading Workshop is a teaching method in which the goal is to teach students strategies for reading and comprehension. The workshop model allows teachers to differentiate and meet the needs of all their students. Reading Workshop helps to foster a love of reading and gives students chances to practice reading strategies independently and with guidance. The Writing Workshop, similar to the Reading Workshop, is a method of teaching writing using a workshop method. Students are given opportunities to write in a variety of genres that help foster a love of writing. The Writing Workshop allows teachers to meet the needs of their students by differentiating their instruction and gearing instruction based on information gathered throughout the workshop. The components of the workshop model include the following: Read alouds, mini-lessons, independent reading, independent writing, conferring, guided reading, guided writing, and sharing.

Investigations in Numbers, Data and Space

Investigations is a complete K-5 mathematics curriculum, developed at TERC in Cambridge, Massachusetts, and aligned to the Common Core State Standards (CCSS) for Mathematics.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Programs (Continued)

1. CURRICULUM DESIGN AND INSTRUCTIONAL APPROACH (Continued)

Investigations in Numbers, Data and Space (Continued)

The curriculum is designed to:

- Support students to make sense of mathematics and learn that they can be mathematical thinkers
- Focus on computational fluency with whole numbers as a major goal of the elementary grades
- Provide substantive work in important areas of mathematics - rational numbers, geometry, measurement, data, and early algebra - and connections among them
- Emphasize reasoning about mathematical ideas
- Communicate mathematics content and pedagogy to teachers
- Engage the range of learners in understanding mathematics

History Alive

Through the History Alive curriculum, students don't just read textbooks and answer questions. They discover information for themselves. They feel the emotions of historical figures. They reason through problems. They debate complex issues.

Students interact in pairs and groups so they are engaged in their own learning. There are also opportunities for personal reflection and processing. Giving students a variety of ways to experience content helps them better retain and recall key information. Most importantly, when students are engaged, they love learning.

F.O.S.S - Full Option Science System

One of the goals of F.O.S.S. is Scientific Literacy, which can be accomplished by providing all students with science experiences that are appropriate to their cognitive stages of development and serving as a foundation for more advanced ideas that prepare them for life in an increasingly complex scientific and technological world.

Enrichment

Physical Education is an integral part of the total education program of each student in our school. Through the medium of sport and movement all students will participate in a sequential, differentiated program that fosters each student's personal health, fitness and safety. Through exposure to a wide variety of activities, students will gain the necessary knowledge to understand the importance of and make educated decisions around opportunities to achieve and maintain a healthy lifestyle. The curriculum is based on the standards developed by D.C.P.S. standards in P.E.

Visual Arts and Music Education - Students will demonstrate an understanding of the arts in relation to history and culture. They will make connections between visual arts and other disciplines. Music and art will be integrated in the content curriculum.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Programs (Continued)

1. CURRICULUM DESIGN AND INSTRUCTIONAL APPROACH (Continued)

Responsive Classroom

Sela PCS is inspired by the Responsive Classroom approach to creating a healthy and successful classroom environment. The Responsive Classroom approach is a widely used, research-backed approach to elementary education that increases academic achievement, decreases problem behaviors, improves social skills, and leads to more high-quality instruction.

Sela PCS uses Responsive Classroom as a means of creating collaborative classroom environments where all members of the classroom community take responsibility for their actions and focus on the process of learning.

2. PARENT INVOLVEMENT EFFORTS

At Sela PCS, we empower parents to have a voice in their child's education. We believe that when families become actively involved, students, schools, and communities all benefit because strong home-school partnerships help all stakeholders focus on student achievement. Below is a summary of ways in which Sela Public Charter School welcomes family engagement.

Monthly Newsletters - Each month, classroom teachers send home a newsletter with opportunities for classroom involvement and ideas for extending learning at home. In addition to the classroom newsletters, a monthly whole school newsletter is sent home.

School Open Houses and School Tours - Open houses and school tours occur on a weekly basis. School open houses and school tours provide potential parents and families with opportunities to learn more about our schools' academic and socio-emotional learning environments.

Family-School Association (FSA) - Parents have a voice in operational, learning, community, and fundraising issues through the Family-School Association (FSA), which meets regularly and is in communication with the Head of School.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of Sela are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition:

Contributions

Sela has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Sela reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Sela reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Federal and Charter School Funding

Sela receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment, as well as funding for English as a Second Language. Sela recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance. Federal entitlements are recognized based on the allowable costs incurred.

Before and After Care Program

Sela offers fee-based extended day programming for students. The hours of operation are structured to coincide with the typical workday of parents of the students. Tuition is collected based on a monthly fee.

(c) Corporate Taxes:

Sela is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to Sela effective June 27, 2011. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The organization has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). Sela did not have any net unrelated business income for the years ended June 30, 2017 and 2016.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

Sela is also exempt from District of Columbia sales, franchise and property taxes.

(d) Grants:

Foundation Grants

Grant revenues result primarily from foundation grants and are recognized as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as net assets released from restrictions between the applicable classes of net assets.

Government Grants

Sela receives grants from federal and state governmental agencies for various purposes in the form of exchange transactions. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue.

(e) Net Assets:

Sela has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, Sela is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Sela and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of Sela and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets were available at year end for the following programs:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Reserve Fund	\$ 80,000	\$ -
Program Services - Purpose Restricted Science, Technology, Engineering and Math Program	-	176,459
Total Purpose Restricted	<u>\$ 80,000</u>	<u>\$ 176,459</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by the occurrence of other events specified by donors for the following activities:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Program Services - Purpose Restricted Science, Technology, Engineering and Math Program	\$ 186,459	\$ 113,541
Outdoor Playground	-	2,435
Total Released From Restrictions	<u>\$ 186,459</u>	<u>\$ 115,976</u>

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by Sela. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. Sela did not have any permanently restricted net assets as of June 30, 2017 and 2016.

(f) Donated Services and Materials:

Donated services and material are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by Sela's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the Statement of Activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services and Materials: (Continued)

The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Fixed Assets	\$ 4,000	\$ -
Legal Services	<u>-</u>	<u>1,200</u>
Total	<u>\$ 4,000</u>	<u>\$ 1,200</u>

(g) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, other educational staff, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses (employee benefits, payroll taxes and staff development) are allocated based on the weighted average allocation of direct salaries.

Occupancy expenses are allocated based on salaries used for program services versus general and administrative activities and fundraising activities. Other expenses that are not directly identifiable by program are allocated based on management estimates of use of resources.

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for either personnel expenses or occupancy expenses is utilized for cost allocation purposes.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued.

(j) Fair Value of Certain Financial Instruments:

Some of Sela's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in Sela's Financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. Sela performed an evaluation of uncertain tax positions for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2017, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is Sela's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2017, Sela had no accruals for interest and/or penalties.

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Checking Account - Non Interest Bearing	\$ 567,162	\$ 653,732
Savings Account	<u>61,037</u>	<u>61,006</u>
Total	<u>\$ 628,199</u>	<u>\$ 714,738</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS: (Continued)

Sela maintains its operating funds in one financial institution in the form of a non-interest bearing business checking account and a savings account. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total is insured up to \$250,000 per banking institution.

As of June 30, 2017 and 2016, \$378,498 and \$465,170, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. Sela was at risk for the funds held in excess of the insured amounts. Sela has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Accounts Receivable</u>		
Real Estate Taxes	\$ 77,736	\$ 39,285
PayPal	45,011	-
Per Pupil Funding - Special Education and At-Risk Funding	17,605	19,796
Expense Reimbursements	8,515	30,371
Student Fees	<u>1,228</u>	<u>-</u>
Total	<u>\$ 150,095</u>	<u>\$ 89,452</u>
 <u>Grants Receivable</u>		
SOAR - Increasing Academic Quality	\$ 100,503	\$ -
National School Lunch Program	11,348	9,490
NCLB - Entitlement Funds (Title I and II)	10,229	815
Healthy Schools Act	924	1,072
E-Rate	422	-
Individuals with Disabilities Education Act (IDEA 611)	-	10,792
Individuals with Disabilities Education Act (IDEA 619)	<u>-</u>	<u>1,093</u>
Total	<u>\$ 123,426</u>	<u>\$ 23,262</u>

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

Accounts and Grants Receivable (Continued)

Sela's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because Sela does not require collateral, it is at credit risk for the amounts owed to it throughout the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2017 and 2016.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable when payment has not been received after 180 days.

Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by Sela. Sela uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Reserve Fund	\$ 60,000	\$ -
Total Promises Receivable	<u>\$ 60,000</u>	<u>\$ -</u>

The above unconditional promises are due to be received within the next year.

6. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$63,747 and \$60,125, respectively. Maintenance and repairs are charged to expenses as incurred.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS: (Continued)

Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2017

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book Value</u>
Leasehold Improvements	3-5 Years	\$ 170,567	\$ 52,803	\$ 117,764
Furniture, Fixtures and Equipment	5 Years	59,098	35,396	23,702
Computers	3 Years	<u>143,241</u>	<u>92,587</u>	<u>50,654</u>
Total		<u>\$ 372,906</u>	<u>\$ 180,786</u>	<u>\$ 192,120</u>

June 30, 2016

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book Value</u>
Leasehold Improvements	3-5 Years	\$ 97,347	\$ 32,680	\$ 64,667
Furniture, Fixtures and Equipment	5 Years	45,196	24,767	20,429
Computers	3 Years	<u>108,259</u>	<u>59,958</u>	<u>48,301</u>
Total		<u>\$ 250,802</u>	<u>\$ 117,405</u>	<u>\$ 133,397</u>

7. DEFERRED REVENUE:

Deferred revenue consists of \$59,325 of per pupil summer school funding received for a summer school program and \$1,108 of funding for school technology, not yet utilized as of June 30, 2017.

8. DEFERRED RENT:

Sela entered into a lease agreement for the rental of office space located in Washington, DC, for 61-1/2 months, commencing on June 17, 2013, and expiring on July 31, 2018. An amount of \$383,811 of future rent payments has been recorded to adjust the actual rent paid to conform to the straight-line basis.

On August 1, 2016, this lease was amended to extend the lease through June 30, 2022. See Note 12 for further details.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

Sela was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of Sela’s fiscal management and academic acceptability. The contract dated June 24, 2013, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about June 24, 2028. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that Sela is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years, with the first such review scheduled for 2018. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the District of Columbia Public Charter School Board, Sela may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2017 and 2016, Sela incurred \$34,250 and \$24,885, respectively, in administrative fees. Sela’s enrollment is not permitted to be greater than 410 students by the academic year 2018. Enrollment for the 2016/2017 year was 177 students and enrollment for the 2015/2016 year was 133 students.

10. PER-PUPIL FUNDING ALLOCATION:

Sela receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2017, the per-student rate ranged from \$9,682 to \$12,974 for the education allotment and \$3,124 for the facility allotment. For the year ended June 30, 2016, the per-student rate ranged from \$9,492 to \$12,340 for the education allotment and \$3,124 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language.

Per-pupil funding for the years ended June 30, 2017 and 2016 was as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Grade Level - Pre-School - 3 rd Grade	\$ 2,054,520	\$ 1,535,616
Special Education	207,611	113,722
At Risk Students	86,934	66,528
English as a Second Language	85,395	97,673
Facilities Allowance	<u>552,948</u>	<u>415,492</u>
Total	<u>\$ 2,987,408</u>	<u>\$ 2,229,031</u>

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2017 and 2016, Sela participated in the following federal award programs:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
SOAR - Increasing Academic Quality	\$ 199,847	\$ -
National School Lunch Program	60,846	52,210
NCLB - Entitlement Funds (Title I)	38,434	30,403
Individuals with Disabilities Education Act (IDEA)	14,205	32,387
NCLB - Entitlement Funds (Title II)	9,987	8,467
DOD Fresh Fruit and Vegetables Program	2,609	860
Donated Commodities	2,430	-
Charter School Planning and Implementation Grant (Title V, Part B)	<u>141</u>	<u>-</u>
Total	<u>\$ 328,499</u>	<u>\$ 124,327</u>

Federal formula grants are allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. Sela receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, Local Education Agencies (LEAs), and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

12. COMMITMENTS:

Building Lease - 6015-17 Chillum Place, NE

On December 19, 2012, Sela entered into a lease agreement with Jemal's Chillum, LLC, for its school location at 6015-17 Chillum Place, NE, Washington, DC. The lease commenced on June 17, 2013. The monthly base rent in year 1 was \$25,000 with payments beginning on August 1, 2013. The lease term extends for 61-1/2 months through July 31, 2018, and includes approximately 31,300 square feet of space. The monthly base rent increases each year during the lease to a monthly amount of \$47,536 in the fifth and final year of the lease. In addition to the base rent, Sela will also be responsible to pay the landlord for monthly operating expenses associated with the leased property that are billed by the landlord.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS: (Continued)

Building Lease - 6015-17 Chillum Place, NE (Continued)

On August 1, 2016, Sela entered into a lease amendment which extended the lease term for an additional three years and eleven months through June 30, 2022. This amendment also renegotiated the monthly base rental fee for the remainder of the lease. Monthly rental payments at June 30, 2017, were \$22,510.

Future required minimum rental lease payments with the change in deferred rent over the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Cash Payment</u>
2018	\$ 468,109	\$ (116,954)	\$ 351,155
2019	468,109	101,696	569,805
2020	468,109	117,080	585,189
2021	468,109	132,881	600,990
2022	<u>468,109</u>	<u>149,108</u>	<u>617,217</u>
Total	<u>\$ 2,340,545</u>	<u>\$ 383,811</u>	<u>\$ 2,724,356</u>

Building Sub-Lease - 6015-17 Chillum Place, NE

Sela entered into a sublease agreement with Shining Stars Montessori Academy Public Charter School for its location at 6015-17 Chillum Place, NE, Washington, DC. The lease commenced August 1, 2014, and expired July 31, 2016. The sublease included approximately 12,000 square feet of space. The base annual rent under the sublease was \$230,000, payable in equal monthly installments during the first year. The monthly base rent increased by three percent (3%) on the first anniversary of the sublease commencement date. In addition to the base rent, the subtenant was also responsible to pay Sela for monthly operating expenses associated with the subleased property. This sublease also required a deposit to be paid to Sela in the amount of \$57,500, which is reflected as a liability in these financial statements at June 30, 2016. The amount received for the years ended June 30, 2017 and 2016, was \$22,302 and \$267,264, respectively, which is reported as an offset to the rent expense. The rent expense for the years ended June 30, 2017 and 2016 is \$459,918 and \$208,421, respectively.

Photocopier Lease

Sela entered into an operating lease with Copier Workshop, Inc., on May 7, 2014, for the rental of a Kyocera Photocopier CS 3051 CI. Prior to this lease, Sela was renting a copier on a month-to-month basis. The new lease calls for sixty (60) monthly payments of \$295, commencing on June 1, 2014. Total copier rental and service expense for the years ending June 30, 2017 and 2016 was \$18,066 and \$14,862, respectively, which includes repairs and maintenance on the copiers.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS: (Continued)

Photocopier Lease (Continued)

Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 3,540
2019	<u>3,245</u>
Total	<u>\$ 6,785</u>

13. CONCENTRATIONS:

Revenues

Sela receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2017 and 2016, eighty-one percent (81%) and seventy-six percent (76%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, Sela receives state and federal foundation grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). Sela is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DC PCSB). The DC PCSB may revoke the charter for material violations of laws and the terms of its charter agreement or if the school fails to meet established goals and student achievement expectations.

Sela is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, Sela must compete for students against the DC Public School system as well as other DC Public Charter Schools.

14. CONTINGENCIES:

Sela was granted its initial charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. Sela has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect Sela's ability to finance ongoing operations.

Sela depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to Sela. While Sela's board of directors and management believes the school has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. CONTINGENCIES: (Continued)

Laws and regulations governing charter schools are complex and subject to interpretation. Sela believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

15. SUBSEQUENT EVENTS:

Additional Funding - Washington Teacher's Union Contract

On October 1, 2017, the City Council approved the Washington Teacher's Union Contract. This contract will result in additional funds to both DC Public Schools and DC Public Charter Schools through an increase in the Uniform per Student Funding Formula. These additional funds result in a 5.9% increase above the original per pupil funding amounts. The Charter School will receive an additional one-time payment during the year ended June 30, 2018, to reflect the increase to the 2014 fiscal year per pupil funding base rate. The amount paid to the Charter School will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding for the year ended June 30, 2017. The 2017 fiscal year base rate will increase by an amount of \$203 over the original base rate of \$9,682 to a revised base rate of \$9,885.

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts represented in the accompanying financial statements.

Enrollment

Enrollment for the 2017/2018 school year is projected to be approximately two hundred (200) students. These enrollment numbers are up from the enrollment number of one hundred seventy-seven (177) students during the 2016/2017 school year.

16. FUNDRAISING:

During the years ended June 30, 2017 and 2016, expenses incurred for the purpose of fundraising were \$114,550 and \$63,454, respectively.

17. ADVERTISING COSTS:

Advertising and marketing costs are expensed when incurred. Marketing activities were conducted for the purpose of promoting open enrollment and recruiting to the Charter School. Marketing expenses in the amount of \$12,901 and \$18,818 were incurred during the years ended June 30, 2017 and 2016, respectively.

SELA PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

18. RETIREMENT PLAN:

401(k) Profit Sharing Plan

Sela provides pension benefits for its employees through a defined contribution 401(k) retirement plan which is currently administered by John Hancock Retirement Plan Services, LLC. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code.

Sela matches contributions up to three percent (3%) of annual employee compensation. Participants become fully vested after their second year. There is no unfunded past service liability. Sela's contribution for the years ended June 30, 2017 and 2016, was \$12,678 and \$12,088, respectively.

19. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2017 and 2016, consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Social Security/Medicare	\$ 139,240	\$ 99,893
Health Insurance	117,442	115,031
Retirement	12,678	12,088
Unemployment	16,327	13,347
Workers Compensation	<u>6,576</u>	<u>5,301</u>
Total	<u>\$ 292,263</u>	<u>\$ 245,660</u>

Flexible Benefits Plan

Sela adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for medical insurance premiums.

20. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2017 and 2016, consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Rent	\$ 459,918	\$ 208,421
Utilities	50,474	32,922
Contracted Building Services	104,196	42,977
Maintenance and Repairs	19,325	18,564
Janitorial Supplies	11,486	6,402
Amortization Expense	<u>20,123</u>	<u>20,175</u>
Total	<u>\$ 665,522</u>	<u>\$ 329,461</u>

SELA PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017				June 30, 2016			
	Total	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Executive and Leadership Salaries	\$ 448,615	\$ 301,942	\$ 105,436	\$ 41,237	\$ 396,665	\$ 267,426	\$ 93,325	\$ 35,914
Teacher Salaries	783,686	783,686	-	-	675,532	675,532	-	-
Teaching Assistant Salaries	235,778	198,585	20,027	17,166	169,953	169,953	-	-
Clerical Salaries and Other Salaries	385,068	293,848	87,761	3,459	141,969	101,093	38,782	2,094
Fringe Benefits - Staff	292,263	249,030	33,511	9,722	245,660	214,793	23,960	6,907
Substitute Teachers	6,486	6,486	-	-	7,703	7,703	-	-
Staff Development Costs	59,508	50,705	6,823	1,980	24,903	21,774	2,429	700
Other Staff Related Expenses	25,564	21,783	2,931	850	18,725	16,373	1,826	526
Total Personnel, Salaries and Benefits	<u>\$ 2,236,968</u>	<u>\$ 1,906,065</u>	<u>\$ 256,489</u>	<u>\$ 74,414</u>	<u>\$ 1,681,110</u>	<u>\$ 1,474,647</u>	<u>\$ 160,322</u>	<u>\$ 46,141</u>
<u>Direct Student Costs:</u>								
Student Supplies, Snacks, etc.	\$ 36,057	\$ 36,057	\$ -	\$ -	\$ 38,479	\$ 38,479	\$ -	\$ -
Student Assessment and Materials	4,274	4,274	-	-	3,121	3,121	-	-
Student Textbooks	12,410	12,410	-	-	12,021	12,021	-	-
Library and Media Materials	2,357	2,357	-	-	7,973	7,973	-	-
Contracted Instructional Fees	226,617	226,617	-	-	101,307	101,307	-	-
Student Travel/Field Trips	5,133	5,133	-	-	5,506	5,506	-	-
Food Service Fees	142,929	142,929	-	-	108,587	108,587	-	-
Student Recruiting	12,901	12,901	-	-	18,818	18,818	-	-
Other Student Costs	7,333	7,333	-	-	6,308	6,308	-	-
Total Direct Student Costs	<u>\$ 450,011</u>	<u>\$ 450,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,120</u>	<u>\$ 302,120</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Amortization Leasehold Improvements	\$ 20,123	\$ 17,146	\$ 2,308	\$ 669	\$ 20,175	\$ 17,640	\$ 1,968	\$ 567
Rent	459,918	391,885	52,734	15,299	208,421	182,233	20,328	5,860
Utilities	50,474	43,008	5,787	1,679	32,922	28,785	3,211	926
Maintenance and Repairs	30,811	26,253	3,533	1,025	24,966	21,829	2,435	702
Contracted Building Services	104,196	88,783	11,947	3,466	42,977	37,577	4,192	1,208
Total Occupancy Costs	<u>\$ 665,522</u>	<u>\$ 567,075</u>	<u>\$ 76,309</u>	<u>\$ 22,138</u>	<u>\$ 329,461</u>	<u>\$ 288,064</u>	<u>\$ 32,134</u>	<u>\$ 9,263</u>

(See Accompanying Notes and Auditor's Report)

SELA PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</u>			
	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 29,893	\$ 25,472	\$ 3,427	\$ 994	\$ 9,681	\$ 8,465	\$ 944	\$ 272
Equipment Rental and Maintenance	18,066	15,394	2,071	601	14,862	12,995	1,450	417
Telephone and Telecommunications	15,260	13,002	1,750	508	16,373	14,316	1,597	460
Postage, Shipping and Delivery	115	98	13	4	105	92	10	3
Printing and Duplication	131	112	15	4	-	-	-	-
Computer Support Fees	<u>17,110</u>	<u>14,579</u>	<u>1,962</u>	<u>569</u>	<u>14,004</u>	<u>12,245</u>	<u>1,365</u>	<u>394</u>
Total Office Expenses	<u>\$ 80,575</u>	<u>\$ 68,657</u>	<u>\$ 9,238</u>	<u>\$ 2,680</u>	<u>\$ 55,025</u>	<u>\$ 48,113</u>	<u>\$ 5,366</u>	<u>\$ 1,546</u>
<u>General Expenses:</u>								
Insurance	\$ 8,519	\$ 7,259	\$ 977	\$ 283	\$ 11,225	\$ 9,814	\$ 1,095	\$ 316
Administrative Fee	34,250	30,187	4,063	-	24,885	-	24,885	-
Accounting, Auditing and Payroll	74,743	63,685	8,570	2,488	71,126	62,189	6,937	2,000
Legal Fees	10,800	-	10,800	-	4,500	1,049	3,417	34
Other Professional Fees	12,320	1,129	152	11,039	5,114	-	2,083	3,031
Business Fees and Dues	2,786	1,129	1,657	-	1,886	188	1,698	-
Other Expenses	11,194	7,826	3,311	57	35,017	32,488	2,529	-
Depreciation	<u>43,624</u>	<u>37,171</u>	<u>5,002</u>	<u>1,451</u>	<u>39,950</u>	<u>34,930</u>	<u>3,897</u>	<u>1,123</u>
Total General Expenses	<u>\$ 198,236</u>	<u>\$ 148,386</u>	<u>\$ 34,532</u>	<u>\$ 15,318</u>	<u>\$ 193,703</u>	<u>\$ 140,658</u>	<u>\$ 46,541</u>	<u>\$ 6,504</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,631,312</u>	<u>\$ 3,140,194</u>	<u>\$ 376,568</u>	<u>\$ 114,550</u>	<u>\$ 2,561,419</u>	<u>\$ 2,253,602</u>	<u>\$ 244,363</u>	<u>\$ 63,454</u>

(See Accompanying Notes and Auditor's Report)

SELA PUBLIC CHARTER SCHOOL
SCHEDULE OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

June 30, 2017

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 2,573,119	\$ 14,538
Occupancy Cost	665,522	3,760
Management and General	300,259	1,696
Fundraising	<u>92,412</u>	<u>522</u>
Total	<u>\$ 3,631,312</u>	<u>\$ 20,516</u>

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 177 students.

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 1,965,538	\$ 14,778
Occupancy Cost	329,461	2,477
Management and General	212,229	1,596
Fundraising	<u>54,191</u>	<u>407</u>
Total	<u>\$ 2,561,419</u>	<u>\$ 19,258</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 133 students.

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors
Sela Public Charter School
6015-17 Chillum Place, NE
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Sela Public Charter School, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sela Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sela Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sela Public Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

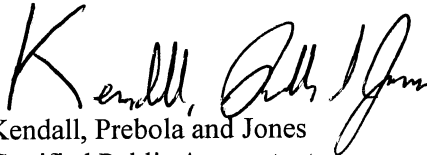
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sela Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 29, 2017

SELA PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no audit findings in the prior year.

SELA PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Sela Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Sela Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

There were no findings in the current year.